Workers' Compensation Board – Alberta **2008 Annual Report**

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"I get to meet employers and see what their business is all about—I really enjoy being one of WCB's ambassadors."
Amy, Program Development and Risk Management

"At WCB I work with great colleagues who have a common goal—to help minimize the effects of an injury on someone's life."
Ben, Millard Health

"I enjoy WCB's flexible work schedules and career development support."
Nkululeko, Program Development and Risk Management

Message to Stakeholders from the Minister

ALBERTA
EMPLOYMENT AND IMMIGRATION

Office of the Minister

As the world faces tough economic challenges, Albertans have built a workers' compensation system that is stable and where benefits for injured workers are protected.

Since its establishment in 1918, the Workers' Compensation Board – Alberta has provided benefits and supports for both workers and employers to work through injury and illness. In 2008, the number of Albertans covered by the workers' compensation system grew to 1.8 million while the number of employers grew to 140,184.

It is reassuring to see that while the number of workers in the province grew, the lost-time claim rate and the disabling-injury rate decreased to 1.8 and 3.4 per 100 workers. It is through the commitment of all system stakeholders that these important indicators of overall safety and disability management success continue to move in the right direction.

Working with a strong Board of Directors, WCB's management team and their committed employees have delivered strong results in keeping with the organization's culture of achievement. Looking forward, the challenge for all of us who care about and contribute to the workers' compensation system is ensuring workplaces remain safe and injured workers are supported in their journey to return to work.

Hector Goudreau
Minister
MLA for Dunvegan-Central Peace

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"After all these years at WCB, I still find it fun and interesting. Everyone is very close and friendly to each other, and your ideas are welcome." *Jane, Program Development and Risk Management*

"People at WCB-Alberta come from varied cultural and educational backgrounds, have strong social and moral values, and take pride in what they do." *Ken, Corporate Services*

"I like knowing that as an organization we are doing good for so many in their time of need." *Maria, Executive*

Workers' Compensation Board – Alberta

The Workers' Compensation Board – Alberta is an independent organization that manages the workers' compensation system for the province. Our 90-year-old organization is guided by policy and the Workers' Compensation Act.

Our system protects employers and workers from the uncertainty, cost and delays of legal action by providing no-fault coverage in cases of workplace injury or illness. We compensate injured workers for lost income and cover health care costs and other related expenses.

WCB-Alberta is funded by employers through the payment of premiums. These premiums ensure benefit security for workers and reflect the cost of claims for employers.

Our balanced application of the Workers' Compensation Act, strong organizational governance model and secure financial position ensure WCB-Alberta can continue to administer a fair workers' compensation system for Albertans.

Our customers

In 2008, more than 1.8 million working Albertans and over 140,000 employers were protected by the workers' compensation system.

It has been our privilege to partner with labour and employer organizations and practitioners of many disciplines to successfully help over 92 per cent of injured workers stay at work or promptly return to work. We are proud to have supported them.

By working together to balance the needs of workers and employers, we achieve positive results.

- ***1,042 injured workers used our translation services*** *to manage claim-related communications.*
- ***Our clients accessed over 8,000 vocational support services*** *to explore new work alternatives.*
- ***Employers participated in 167 of our workshops*** *to learn about meaningful and safe modified work.*
- ***14,153 employers participated in the Partnerships in Injury Reduction (PIR) program,*** *demonstrating their commitment to injury prevention and good disability management.*
- ***45 industries have joined the new industry custom pricing (ICP) program,*** *increasing their performance accountability.*

"WCB provides employees with the tools and opportunities to maintain healthy, balanced lifestyles." *Rosalinda, Customer Service*

"I appreciate working for a company that truly cares about, and endorses, the holistic well-being of its employees." *Kirstin, Claims Contact Centre*

"I try to picture what we do as a win-win situation for everyone. The faster we are able to get a worker back to full health and full work duties, the better for the worker and his family, the employer and the people of Alberta." *Michael, Customer Service*

Message from the Chair and the President & CEO

2008 was a year of unparalleled volatility and profound economic uncertainty.
At WCB-Alberta, our unwavering commitment to our core purpose and the significant changes we have made to our funding and investment policies have been instrumental in allowing us to weather these extraordinary events and still remain committed to being the best workers' compensation board in Canada.

Thanks to a long-term focus and well-defined strategies, WCB-Alberta continued to show strong business improvements and operational results in 2008:

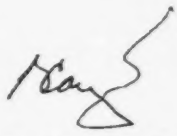
- *Our combined efforts returned workers to the job in less time (an all-time low of **32.1 days**);*
- *The average premium rate was an all-Canadian low of **$1.32**; and*
- *The system remained fully funded at **111.7 per cent**.*

Despite challenging economic times, the foundation of the workers' compensation system in Alberta has remained unchanged. We continue to provide appropriate wage replacement, medical and rehabilitation benefits to workers; our partners are making great strides in the way they prevent and manage injuries; and our financial situation remains stable.

The year tested our plans and our readiness. We faced major challenges to our forecasts as investment income plummeted, growth in insurable earnings slowed and the heated Alberta economy began to cool. What these challenges have shown is that the systems and partnerships put in place over recent years are working—you can see it in our results. We have been guided by doing what is right to keep Albertans working, and have taken a long-term approach to see where we can improve and change. Throughout the report, you will see that our work together has resulted in a system that can be counted on.

As we move into 2009, we will need a mixture of patience—a belief that we are on the right path and our plans are the right ones, and innovation—a desire to create better processes, to learn from risk and uncertainty and simply to do things better. WCB-Alberta's job will be to lead with creativity and commitment to our clients, our partners and our employees.

WCB employees—the face of the organization—have shown that they are engaged, willing to push their limits to do things differently, and eager to learn. That dedication, along with the strength and commitment of our stakeholders, assures us that we will continue to see success in the system, no matter what the economic future holds.



David B. Carpenter, *Chair, Board of Directors*
Workers' Compensation Board – Alberta

Guy R. Kerr, *President & CEO*
Workers' Compensation Board – Alberta

"I've had the opportunity to work in four very different areas of the organization. While the work is different, the one thing that remains the same is the quality of people. WCB employees are generous, respectful, helpful and genuinely fun people to work with." *Keith, Program Development and Risk Management*

"My job gives me a great deal of satisfaction. It is challenging and I am always learning." *Darrin, Customer Service*

"Whether it's typing up a report or assisting in a doctor's examination, it feels good to know I'm helping individuals get back to work and back to life." *Deona, Medical Services*

2008 Board of Directors

Representative of the interests of **Employers**

Guy Kerr, *President & CEO*

David Carpenter, *Chair, Board of Directors*

Fauzia Lalani **Willard Kirkpatrick** **Don Oborowsky**

Effective governance ensures that an organization realizes its objectives, manages resources and reflects the interests of stakeholders in key decisions.

WCB-Alberta's Board of Directors embodies good governance through its focus on the long-term impact of the organization's strategic direction, plans and results. The board's 10 members bring diverse experience and perspectives to their roles, ensuring they are true stewards of the workers' compensation system in Alberta.

The board is accountable to all Albertans through the Minister of Employment and Immigration. In turn, the board holds WCB management accountable for maintaining a compensation system that works for all stakeholders.

2008 Committees of the Board of Directors

Board committees review information from all areas of the business, and identify and assess risks to help WCB-Alberta make informed decisions.

"I enjoy working in an environment that continues to change with technology."
Dale, Customer Service

"I love that WCB management 'walks the talk' in regard to how they value employee contribution to the organization's success. They are always looking for ways to ensure that we continue to rank amongst Alberta's best employers."
Erin, Customer Service

"Being a part of my department is very rewarding. We play a very important role in helping injured workers return to work."
Karen, Medical Services

Representative of the interests of **Workers**

Representative of the interests of the **General Public**

Richard Mirasty **Mia Norrie** **Tim Brower** **Jim Kallal** **Rosemary Pahl** **Norbert Van Wyk**

Audit Committee

Reviews the audit and risk management functions of the organization, including financial statements, the annual report, internal control over financial reporting, external audit processes and management audit.

Members: Norbert Van Wyk, Fauzia Lalani, Willard Kirkpatrick and Mia Norrie*

Finance Committee

Oversees the organization's financial strategies and performance, from the budget and financial plan to economic and business assumptions, premium-rate setting and investment management.

Members: Norbert Van Wyk, Fauzia Lalani, Willard Kirkpatrick and Mia Norrie*

Governance Committee

Regularly reviews governance policy and ensures the Board of Directors consistently demonstrates a best-practice approach in its role.

Members: Don Oborowsky, Tim Brower, Rosemary Pahl and Norbert Van Wyk*

Human Resource and Compensation Committee

Oversees human resource matters, including management philosophies and policies, corporate goals, objectives and performance.

Members: Jim Kallal, Rosemary Pahl, Don Oborowsky and Mia Norrie*

Policy Committee

Reviews policies and legislative changes related to benefits and premiums, and ensures stakeholder involvement in policy development and revision.

Members: Fauzia Lalani, Jim Kallal, Tim Brower and Richard Mirasty*

**Denotes committee chair*

David Carpenter, Chair, Board of Directors and Guy Kerr, President & CEO, are ex-officio members of all committees.

"We are kindhearted, down to earth individuals who respect everyone—workers, employers, service providers and our co-workers."
Donnette, Customer Service

"WCB staff work well together to reach the goal of getting people back to work."
Kim, Millard Health

"One of the first things I noticed when I started working here was the number of people that have been here for 20, 25, 30 years. I think it says a lot about WCB as an employer." *Jerry, Management Audit Services*

Strategic Management Council

WCB-Alberta's Strategic Management Council (SMC) works collaboratively with the Board of Directors, our partners and our stakeholders to ensure the success of Alberta's workers' compensation system. Through a clear strategy and the right corporate objectives, this leadership team rallies employees to our vision of Albertans working.

"The most rewarding part of my job is providing support, guidance and motivation to injured workers to help restore their livelihood." *Zahara, Customer Service*

"People at WCB come from all walks of life, but the common factor is that they are all kind and care about others. It's like a family." *Robbie, Claims Contact Centre*

"The support and latitude to address often challenging business problems in innovative and insightful ways, coupled with the focus on career development and continuous learning, makes WCB a fantastic place to work." *Norman, Financial Management*

Pictured from left to right

Guy Kerr, President & CEO

Our organization has a strong history of helping injured Albertans return to work successfully, and our employees are both the spirit and the face of that dedication. It is an honour to work with people who truly care about the people they help. It is their immense commitment to doing great work that makes us a successful organization and has helped us achieve 95 per cent overall employee satisfaction.

Douglas Mah, Secretary and General Counsel

Our commitment to fairness is evident in our stakeholder consultations and in our work to uphold the integrity of the Workers' Compensation Act. We can assure our clients that we are working actively to balance their interests and protect the workers' compensation system.

Wendy King, VP Disability and Information Management

Our strategic focus on return to work has meant working closely with our partners to develop good modified work programs, clear return-to-work goals and strong disability management practices and processes. We are successful when, together, we can reduce the impact of workplace injury or illness.

Ron Helmhold, Chief Financial Officer

Achieving financial stability is a challenge for many organizations. We have, however, maintained a position of premium rate stability and are working hard to safeguard worker benefits now and in the future.

Roxy Shulha-McKay, VP Employee and Corporate Services

As one of Alberta's top 40 employers, we are proud of our commitment to people. By offering best-practice employee development programs and corporate services contributing to the overall wellness of our staff, we deliver on our promise to be an employer of choice. Recruiting and retaining the right people ensure the continuation of excellent service for our stakeholders.

Dieter Brunsch, VP Customer Service and Risk Management

The pricing of workers' compensation insurance provides a financial incentive for reducing injuries and developing better disability management practices. This model ensures fairness in the premiums employers pay. While maintaining the principle of collective liability, the introduction of industry custom pricing (ICP) permits industries to select pricing options that enhance financial incentives and introduce even greater accountability among employers within an industry.

"I view WCB as an integral part of Alberta's economic engine through the stability it creates in the workforce."
Duane, Legal Services

"My work helps initiate change and support improvements to the organization. We are always looking for ways to improve processes, manage change and assist our operations area to achieve goals."
Sandy, Program Development and Risk Management

"My peers at WCB are unique through diverse personal, cultural and educational backgrounds. We use these differences as tools to work together towards common goals."
Larry, Program Development and Risk Management

Corporate Highlights

Vision:

Albertans working—a safe, healthy and strong Alberta

Mission:

WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

Strategic themes

Four strategic themes focus our organization on the activities that have the greatest positive impact on our stakeholders.

Focus on return to work
WCB provides the right benefits and services to help injured workers successfully return to work.

Leveraging prevention
WCB uses its resources to promote and reward safe work practices and good disability management.

Commitment to fairness
WCB fosters relationships and makes fair decisions built on a foundation of trust.

Financial stability
WCB's ability to meet the needs of employers and workers is a cornerstone of the workers' compensation system.

Our corporate scorecard encompasses four distinct us achieve balance within our organization and turn

Innovation – *focus us on enhancing our business*

OBJECTIVE	RESULT
Enhance timeliness and accuracy of case management and payments through system functionality.	**Achieved.** Through enhanced contract data management, the initiative has achieved greater accuracy in provider payments. Additional enhancements are scheduled for early 2009.
Implement a new education model for new-hire adjudicators and case managers.	**Achieved.** New training, mentoring and on-the-job supports were introduced for adjudicators and case managers. As part of this initiative, we revised the recruitment process, developed a coaching and mentorship curriculum, rebuilt the adjudication and case management performance feedback process and built an intranet reference database.
Build an eBusiness plan to guide future system development efforts and leverage the Internet as a stakeholder communication and business tool.	**Achieved.** Online services enhancements were implemented throughout the year and more are planned for 2009, including our new security infrastructure for online services. We also unveiled a new corporate website on Jan. 1, 2009, that will help us continue to evolve.

Process – *ensure we are efficient in providing services*

OBJECTIVE	RESULT	INFORMATION
Post-injury earnings for workers Help injured workers maximize post-injury earnings through effective return-to-work planning. Achieve a capitalized value for economic loss payments within 10 per cent of the forecast.	**$67.8 million —within 7.7 per cent of forecast**	Economic loss payments reflect the gap between what a worker earned before and after his or her work injury or illness. Effective return-to-work planning helps minimize this gap.
Post-injury earnings for workers Ensure 60 per cent of vocational rehabilitation clients achieve return-to-work earnings at or above 75 per cent of their pre-injury income.	**69 per cent achieved 75 per cent or more of the pre-injury income**	Injured workers with serious return-to-work challenges need the right vocational services and support to find good return-to-work alternatives. Earlier interventions helped us provide better support for this group.
Modified work Work with a select employer group to assist injured workers in safely returning to the job through a five per cent increase in their use of modified work.	**20 per cent more modified work provided**	Modified work is a great means to achieve rehabilitation while staying connected to the workplace. Education and support for employers have helped this valuable tool become a staple of good disability management programs.
Online services Increase the number of customer self-serve transactions processed by WCB online systems by 10 per cent.	**32 per cent more online transactions**	Online services for employers, workers and health care providers continue to demonstrate value.
Employer performance Partner with 100 poor performance surcharge employers to improve their loss ratio by 10 per cent.	**20 per cent improvement achieved**	Customer service teams met with employers and worked diligently on claims to ensure that the best disability management practices were used.

categories of objectives that help our strategic themes into action.

Customer – *assess the impact of our benefits and services*

OBJECTIVE	RESULT	INFORMATION
Return to work Continue to improve return-to-work outcomes in cases lasting longer than three months through timely medical and vocational interventions. Achieve a claim count of 995 cases or fewer.	**Only 844 clients were off the job three months post-injury at year-end**	By setting return-to-work goals, expediting services and assessments, and exploring modified work opportunities, we helped injured workers return to work successfully.
Invest in safety Increase the number of Partnerships in Injury Reduction (PIR) companies covered by a Certificate of Recognition (COR) by seven per cent.	**6.2 per cent more PIR employers achieved COR**	As the program has matured over recent years, the entry of new employers has naturally slowed.
Decision communication quality Improve the quality of customer communication through a quality score greater than 80 per cent on key decision letters.	**89 per cent quality score achieved**	Our commitment to fairness is evident in our employees' achievement of successful communication.

Financial – *help us ensure long-term stability for the system*

OBJECTIVE	RESULT	INFORMATION
Transaction-year claim costs Through operational initiatives achieve: • Transaction-year claim costs within five per cent of the January forecast.	**$555.6 million —within one per cent of forecast**	A decline in lost-time claim volumes (8.7 per cent), combined with continued reductions in average claim duration had a positive impact on transaction-year claim costs, keeping costs for 2008 well below budget and within one per cent of our forecast.
Premium revenue Through operational initiatives achieve: • Premium revenue collection of 95 per cent or more of target.	**Target exceeded by 13 per cent**	We exceeded our target, predominantly due to stronger-than-forecast numbers in insurable earnings in the construction sector.

WCB's outcomes are achieved through great effort and great people. Our employees' client-focused results mean Alberta has one of the best and most stable compensation systems in North America.

The faces of WCB-Alberta

Workers, employers, WCB-Alberta staff and our partners are the faces of a distinctive system.

ALBERTANS see the workers and employers of the workers' compensation system every day. They are the construction workers building your new home, they are the truck drivers bringing goods to stores for you to buy, or they are one of the over 140,000 employers with WCB coverage who sustain our economy. They are your neighbours, they are your family members, they are you.

What many don't often see is the **vast network** of other individuals who help achieve WCB's mission of reducing the impact of workplace illness and injury. We all come together to make this happen.

People are distinct and their situations are diverse. Knowing this, WCB staff and health care providers create custom plans for both injured workers and employers to help achieve a return to the job quickly and safely.

The following stories illustrate how **multi-faceted**—yet **interconnected**—the compensation system is. Behind every face is a network of support with the ultimate goal in mind—a safe, healthy and strong Alberta.

The face of...

Improvement:

Goodwill Industries makes big disability management strides

GOODWILL Industries of Alberta has built their business around eliminating employment barriers for people with disabilities and disadvantages. While they work hard to support these individuals and bring them into the workplace, when it came to doing the same with injured workers in their thrift retail stores, they found some challenges.

Goodwill's limited modified work options for injured workers resulted in the lengthy duration of claims, high claim costs and a poor performance surcharge (PPS). The financial implications of high premiums and a PPS are substantial for any business, let alone a non-profit, charitable organization. Cathy Alexander, district director for Edmonton retail at Goodwill, admits that WCB costs had escalated and they needed an updated action plan.

2008 was a turnaround year. "We didn't know about all the modified duty options," says Alexander. She explains that often when individuals were injured, Goodwill would tell them to go home and take as much time as needed to recover. Though well-intentioned, Goodwill knew this wasn't as supportive as they wanted to be. Alexander says, "We find most people don't want to be off work. They want to be productive. They want to be valued." Along with offering additional modified work options, Alexander says their organization is diligently tracking and sharing information, especially with their frontline managers.

The financial benefits of their efforts will be felt in 2012, when they lose high-claim-cost years from their experience period. They remain committed however. Alexander says it is an investment in Goodwill and an investment in their people.

***Richard Robson** and **Cathy Alexander** of Goodwill Industries*

Support: Account managers educate employers on WCB's business and disability management

WHEN Donna Chimko, WCB account manager, first met with Goodwill Industries to address their high claim costs, she explained that they already had the tools they needed to establish modified work for their injured employees. They just needed assistance to go further with applying that expertise. Today, Chimko is pleased with how far Goodwill has come since those initial meetings.

Account managers are key contacts between WCB and employers. They educate employers on a range of vital topics, including responsibilities within the *Workers' Compensation Act*, the appeals process and premium management. Account managers are aligned with specific industry groups so they are well-versed in the challenges of that industry and develop strong relationships with individual employers.

***Donna Chimko**, WCB account manager*

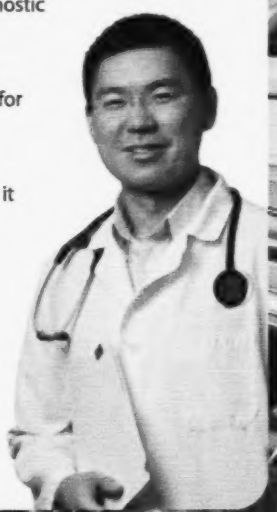
Progress: A new service focuses on expedited medical care, best-practice disability management and employer partnerships

ONE investment Goodwill Industries is confident will pay off is signing up for the WCB-created Occupational Injury Service (OIS). The strength of this service is that it provides timely and appropriate medical care, immediate and detailed injury management communication, and reports to facilitate safe and sustainable return to work.

Employers who are signed up for OIS encourage their injured workers to visit an OIS location, where they can expect to see a physician within approximately 30 minutes of arrival. Workers receive expedited medical assessments and diagnostic testing where necessary (X-ray, CT scan, MRI) and they discuss an individualized and medically appropriate return-to-work plan with OIS staff and their employer. This assistance offers valuable support for Goodwill's modified work program.

Dr. Hung Chang, an OIS physician at the Capilano Medicentre in Edmonton, says the biggest strength he sees in the service is that it facilitates better communication. The employer representative, the physician and the worker discuss in person the worker's return to work. Dr. Chang says this fills in information gaps that just can't be reflected as well through forms.

There are OIS locations throughout the province, including in Calgary, Edmonton, Red Deer, Fort McMurray and Lethbridge.



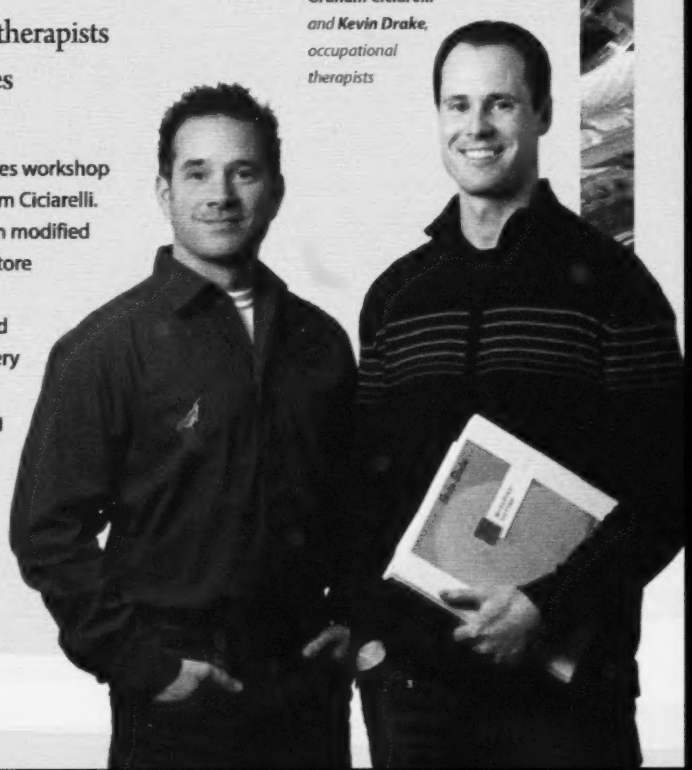
***Dr. Hung Chang**, an OIS physician at the Capilano Medicentre in Edmonton*

Return to work: Occupational therapists help employers explore modified work opportunities

GOODWILL Industries attended Millard Health's Modified Duties workshop facilitated by occupational therapists Kevin Drake and Graham Ciciarelli. During the workshop, the two therapists helped Goodwill brainstorm modified duty opportunities. They even made a follow-up visit to a Goodwill store to better understand the work environment.

Drake says: "Goodwill is one of the best employers I have worked with. They were so motivated to improve and really took to heart every suggestion I made."

The goal of an occupational therapist is to help employers bring their workers back to the job safely and quickly. They reach this goal in many ways, including helping employers plan and implement programs and by providing education on injury prevention, job and workplace modification and return-to-work planning.



***Graham Ciciarelli** and **Kevin Drake**, occupational therapists*

The face of...

***Erwin Schnitzer**, heavy equipment operator*

Perseverance: Erwin Schnitzer returns to work successfully after serious injuries

ERWIN Schnitzer, a heavy equipment operator, was hit in the face with a high-pressure hose and thrown 15 feet. A colleague rushed over and asked him if he needed an ambulance. Not one to be fussed over, Schnitzer got up, dusted himself off and prepared to head home as if nothing had happened.

Schnitzer's supervisor heard about the accident and insisted he see a doctor. A visit to the hospital revealed serious injuries. Schnitzer suffered fractures to his upper arm and shoulder and numerous bruises to his face, neck, back and right hip.

Remarkably, Schnitzer was not one to be discouraged, and he started the recovery process. Schnitzer says he was motivated by knowing he had support from his employer and WCB. "You get out what you put in. I focused on getting healthy no matter what," says Schnitzer. Today, he continues to work as an equipment operator with the City of Edmonton.

Custom planning:

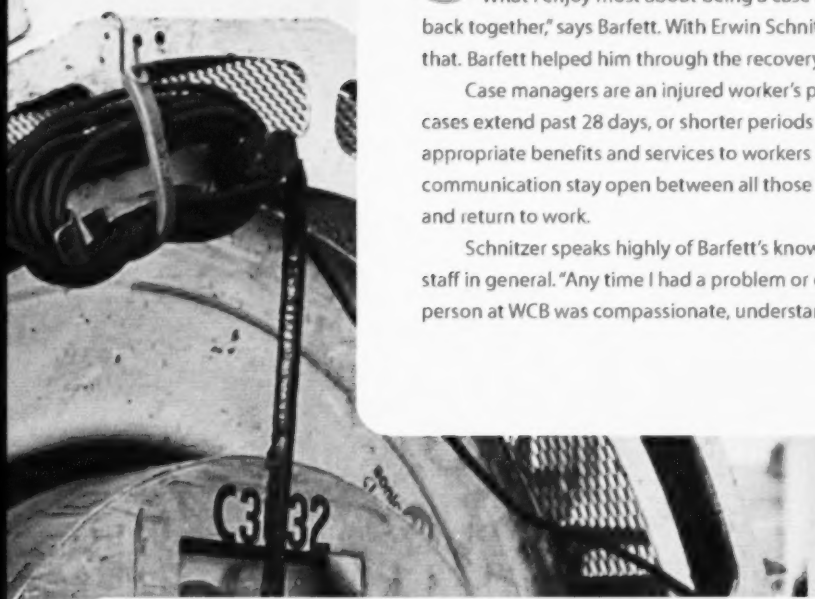
Case managers assist workers to get back on the job—quickly and safely

SUSAN Barfett has worked at WCB for 19 years and been a case manager for four. "What I enjoy most about being a case manager is helping put someone's life back together," says Barfett. With Erwin Schnitzer, she had the opportunity to do just that. Barfett helped him through the recovery and rehabilitation of his injury.

Case managers are an injured worker's point of contact with WCB when cases extend past 28 days, or shorter periods for serious claims. They provide the appropriate benefits and services to workers and ensure the lines of communication stay open between all those involved in the worker's recovery and return to work.

Schnitzer speaks highly of Barfett's knowledge and support, and of WCB staff in general. "Any time I had a problem or concern, I was helped… Every person at WCB was compassionate, understanding and helpful," he says.

***Susan Barfett**, WCB case manager*



Accommodation:

Employers with modified work get their valued employees back promptly

"[Erwin] is certainly never one to let an injury keep him down. He is ambitious and loves to be at work."

***Dean C. York**, drainage leader supervisor, City of Edmonton.*

THE timely and successful return to work of injured workers like Erwin Schnitzer is best achieved when employers offer modified duties to keep them connected to the workplace while they recover.

Schnitzer's employer, the City of Edmonton, offers modified work for over 80 per cent of their injured workers and they stay involved in the recovery process from beginning to end. When employees are ready to return to work the City of Edmonton does whatever it can to help.

Schnitzer returned to his date-of-accident duties after his injury through modified work. He comments, "The City of Edmonton was so supportive… I couldn't wait to get back to work."

Successful outcomes:

Occupational therapists work with employers to integrate injured workers back into the workplace

ERWIN Schnitzer's recovery required rehabilitation with an occupational therapist at WCB's Millard Health in Edmonton.

Occupational therapists develop plans for injured workers that incorporate work simulation and conditioning, slowly upgrading activities until workers are able to return to full duties. They also assist with negotiating return to work.

Jennifer Scharff, an occupational therapist, worked closely with Schnitzer to help him regain his mobility and strength. She was impressed by his attitude and was confident he would get back to work. "Erwin was very motivated and driven," says Scharff. "A little bit of effort goes a long way, especially in the rehabilitation process. The key is to have a positive attitude and talk about any concerns you have."

Summary of Claims Administered

	2008		2007	
Active claims as of January 1		27,489		27,963
New time-lost claims	32,248		35,083	
New medical-aid-only claims	135,648		140,214	
Total new claims reported	167,896		175,297	
Recurrent claims[1]	16,352		14,182	
	184,248	184,248	189,479	189,479
Total claims administered		211,737		217,442

[1] *Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons such as payments for medical aid or requests for further compensation benefits.*

Non-eligible claims

TIME-LOST CLAIMS	2008	2007
Insufficient information available to process claim	216	242
Not covered under Workers' Compensation Act	128	124
Injury or illness not arising out of/in course of employment	2,037	2,019
Other	9	13

MEDICAL-AID-ONLY CLAIMS	2008	2007
Insufficient information available to process claim	4,416	4,251
Not covered under Workers' Compensation Act	1,765	1,465
Injury or illness not arising out of/in course of employment	3,667	3,467
Other	23	25

Return to work with new or accident employer

	2004	2005	2006	2007	2008
Total return to work	88.5%	91.0%	92.4%	91.6%	92.7%
Return to accident employer	85.8%	88.4%	90.1%	89.2%	90.4%
Return to other employment	2.7%	2.6%	2.3%	2.4%	2.3%

Number of modified-work-only claims as a percentage of claims reported

2004	2005	2006	2007	2008
12.3%	13.6%	14.9%	15.7%	17.1%

New claims by nature of injury	2008	2007
Sprain or strain	59,109	58,832
Superficial wound	29,970	32,101
Open wound	28,338	31,397
Occupational illness	11,533	11,533
Fracture, dislocation or nerve damage	7,387	7,708
Burn or scald	5,031	5,252
Multiple traumatic injuries	2,396	2,948
Intracranial injury	807	1,000
Environmental conditions	360	348
Other traumatic injury	17,681	16,459
Non-personal damage	519	586
Unclassified	4,765	7,133
TOTAL	167,896	175,297

New claims by part of body	2008	2007
Back	26,037	26,737
Finger(s)	23,908	25,933
Hand(s) or wrist(s)	18,569	19,633
Chest or shoulder(s)	15,969	15,859
Eye(s)	9,490	12,793
Foot (feet), toe(s) or ankle(s)	13,431	13,789
Arm(s)	11,805	12,389
Head	13,222	11,479
Knee(s)	9,556	9,521
Multiple parts	7,044	8,175
Leg(s)	5,759	5,936
Neck	3,464	3,438
Hip or pelvis	1,840	2,158
Ear(s)	2,874	2,696
Body system(s)	2,619	2,233
Abdomen	886	982
Non-personal damage	529	599
Unclassified	894	947
TOTAL	167,896	175,297

2008 Financial Highlights

Premium revenue of $993.8 million exceeded budget by $22.4 million and was up $16.1 million from 2007, reflecting wage and employment growth.

Average premium rate of $1.33 per $100.00 of insurable earnings was $0.01 over budget. This is 8.9% lower than the average rate collected in 2007.

Investment revenue of minus $421.3 million reflected the very poor financial market performance. The result was $784.5 million below budget and $989.3 million lower than in 2007.

Claim costs of $971.6 million were $13.1 million under budget and $116.3 million higher than in 2007, due primarily to policy changes that increased benefits and inflationary increases in health care and wage replacement benefits.

Administration expenses of $82.1 million were 1.6% under budget and $9.4 million higher than in 2007.

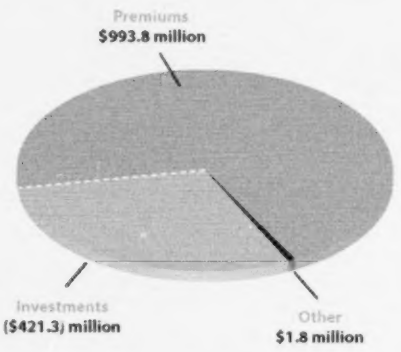
Operating deficit of $513.8 million was $746.3 million below budget and $1,101.3 million less than in 2007.

Funded Position of $590.3 million decreased by $1,083.0 million over 2007.

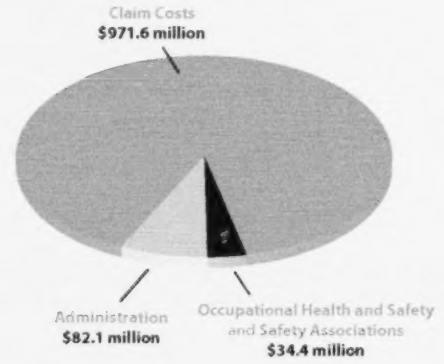
Investment portfolio decreased by $1,047.6 million, or 16.2% over 2007 on a fair-value basis.

Claim benefit liabilities rose $299.4 million, or 6.5% over 2007.

Revenue Breakdown: $574.3 million



Expenses Breakdown: $1,088.1 million



WCB-Alberta

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Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board – Alberta were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the annual report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

David B. Carpenter, F.C.A.
Chair, Board of Directors
Workers' Compensation Board – Alberta

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board – Alberta

Ron J. Helmhold, C.A.
Chief Financial Officer
Workers' Compensation Board – Alberta

Auditor's Report

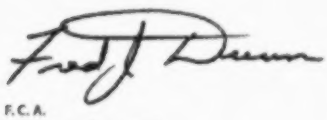
AUDITOR GENERAL *Alberta*

To the Board of Directors of the Workers' Compensation Board – Alberta

I have audited the balance sheet of the Workers' Compensation Board – Alberta as at December 31, 2008 and the statements of operations, comprehensive loss, changes in funded position, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2008 and the results of its operations, results of its comprehensive loss, movements in funded position, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



F. C. A.
Auditor General
Edmonton, Alberta
April 21, 2009

Actuarial Statement of Opinion

on the Valuation of the Benefit Liabilities of the Workers' Compensation Board – Alberta as at December 31, 2008

Eckler
CONSULTANTS + ACTUARIES

I have completed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board - Alberta (WCB) for the financial statements of the WCB as at December 31, 2008. In my opinion, the actuarial liabilities of $4,905.7 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits, as well as claims administration costs, on account of claims that occurred on or before December 31, 2008; it does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

The valuation was based on the provisions of the Workers' Compensation Act of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation. The impact of policy changes regarding survivor benefits for spouses and adult interdependent partners who are not able to become gainfully employed and the recent increase to the travel and accommodation allowances has been considered.

The data on which the valuation is based were provided by the WCB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's financial statements. The liabilities included herein have been computed by the WCB in accordance with methods and assumptions approved by me; I have made such tests of the calculations that I considered necessary.

The economic assumptions adopted for purposes of computing the liabilities are consistent with the WCB's funding and investment policies. For this valuation, a real rate of return of 3.00% was used to discount expected payments subject to inflation. Benefits subject to cost of living adjustments (COLA) were discounted at 3.50%, making implicit provision for the future indexing of benefits on the assumption that investment earnings on WCB's assets will exceed increases in the Consumer Price Index (CPI) by 3.00% per year, over the long term, and that COLA will be provided at CPI minus 0.50%. Other economic assumptions underlying the calculations are annual changes in CPI of 2.50%, as well as health care costs and vocational rehabilitation benefits assumed to grow at annual rates of 6.75% and 3.50% respectively; these rates are the same as those used in the previous valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality and other assumptions. The main changes made to the actuarial basis were to the assumptions used to value the economic loss payments, the survivor benefits and the claims administration liability. All the changes in methodologies and assumptions have resulted in an overall increase of $52.6 million in liabilities.

Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at December 31, 2008, of which this statement of opinion forms part.

In my opinion, the data on which the valuation is based are sufficient and reliable, the assumptions, in aggregate, are appropriate for the purposes of the valuation, and the methods employed are consistent with sound actuarial principles. This report has been prepared and my opinion given in accordance with accepted actuarial practice.

Richard Larouche, F.S.A., F.C.I.A.
Actuary
Eckler Ltd.
March 13, 2009

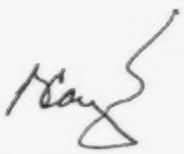
The Workers' Compensation Board – Alberta

Balance Sheet

As at December 31

($ thousands)	Notes	2008	2007
ASSETS			
Cash and cash equivalents	4	$ 95,364	$ 160,443
Receivables	5	39,036	64,785
Investments	6, 7	5,423,738	6,471,335
Property, plant and equipment	8	59,078	54,432
		$ 5,617,216	$ 6,750,995
LIABILITIES			
Payables and accruals	9	$ 116,813	$ 122,681
Dividends payable	10	4,373	348,745
Claim benefit liabilities	11	4,905,700	4,606,300
		5,026,886	5,077,726
FUNDED POSITION	3		
Fund Balance		296,030	1,368,569
Occupational Disease Reserve		294,300	304,700
		590,330	1,673,269
		$ 5,617,216	$ 6,750,995
COMMITMENTS	21		
CONTINGENCIES AND INDEMNIFICATION	22		

Approved by the Board of Directors:



David B. Carpenter, F.C.A.
Chair, Board of Directors
Workers' Compensation Board – Alberta

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board – Alberta

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statement of Operations

Year ended December 31

($ thousands)	Notes	2008 Budget	2008 Actual	2007 Actual
REVENUE				
Premium	13	$ 971,384	$ 993,767	$ 977,725
Investment	14	363,223	(421,333)	567,975
Other	15	501	1,905	950
		1,335,108	574,339	1,546,650
EXPENSES				
Claim costs	11	984,746	971,635	855,264
Administration	16	83,427	82,131	72,761
Injury reduction	19	34,448	34,379	31,076
		1,102,621	1,088,145	959,101
OPERATING (DEFICIT) SURPLUS		$ 232,487	$ (513,806)	$ 587,549

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statement of Comprehensive Loss

Year ended December 31

($ thousands)	Notes	**2008**	2007
OPERATING (DEFICIT) SURPLUS		$ (513,806)	$ 587,549
OTHER COMPREHENSIVE LOSS			
Net unrealized (losses) on available-for-sale investments arising during the year		(952,329)	(159,129)
Net investment losses (gains) realized during the year and reported in the statement of operations		236,067	(238,189)
Loss realized during the year from write-down of impaired investments and reported in the statement of operations	14	147,061	6,435
		(569,201)	(390,883)
TOTAL COMPREHENSIVE (LOSS) INCOME		$ (1,083,007)	$ 196,666

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statement of Changes in Funded Position

Year ended December 31

($ thousands)	Notes	2008	2007
FUND BALANCE			
Accumulated operating surplus			
Balance, beginning of year		$ 1,007,321	$ 762,140
Operating (deficit) surplus		(513,806)	587,549
Dividends	10	68	(336,068)
Transfer from (to) occupational disease reserve		10,400	(6,300)
		503,983	1,007,321
Accumulated other comprehensive (loss) income			
Balance, beginning of year		361,248	752,131
Other comprehensive loss		(569,201)	(390,883)
	6	(207,953)	361,248
Fund Balance, end of year		296,030	1,368,569
OCCUPATIONAL DISEASE RESERVE			
Balance, beginning of year		304,700	298,400
Transfer (to) from accumulated operating surplus		(10,400)	6,300
		294,300	304,700
		$ 590,330	$ 1,673,269

The accompanying notes are an integral part of these financial statements.

The Workers' Compensation Board – Alberta

Statement of Cash Flows

Year ended December 31

($ thousands)	Notes	2008 Budget	2008 Actual	2007 Actual
OPERATING ACTIVITIES				
Cash inflows				
Employer premiums		$ 985,986	$ 1,015,019	$ 1,030,368
Dividend, interest and derivative income		130,760	53,010	306,577
Realized net investment (losses) gains		232,463	(236,067)	238,919
Other		1,172	1,137	1,354
Cash outflows				
Benefits to claimants and/or third parties on their behalf		(641,616)	(566,453)	(542,507)
Employee and supplier payments for administrative and other goods and services		(167,057)	(179,345)	(175,899)
Injury reduction program funding		(34,448)	(34,381)	(31,074)
Net cash from operating activities		507,260	52,920	827,738
INVESTING ACTIVITIES				
Cash outflows				
Net sale (purchase) of investments		(23,460)	240,121	(288,013)
Net purchase of capital assets		(15,144)	(13,816)	(10,513)
Net cash from (used for) investing activities		(38,604)	226,305	(298,526)
FUNDING POLICY ACTIVITIES				
Cash outflows				
Special dividends to employers	10	(469,656)	(344,304)	(430,667)
Net cash used for Funding Policy activities		(469,656)	(344,304)	(430,667)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,000)	(65,079)	98,545
Cash and cash equivalents, beginning of year		67,000	160,443	61,898
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 66,000	$ 95,364	$ 160,443

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

(thousands of dollars unless stated otherwise)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Workers' Compensation Board – Alberta (WCB) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Accounting estimates and measurement uncertainty

The preparation of financial statements in conformity with GAAP requires the use of estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented.

Some accounting measurements require management's best estimates, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action. Claim benefit liabilities, the reserve for occupational disease, write-downs of investments, the Partnerships in Injury Reduction (PIR) accrual, and accrued premium revenue are the most significant items that are based on accounting estimates. Actual results could differ from the estimates determined by management in these financial statements, and these differences, which may be material, could require adjustment in subsequent reporting periods.

Comprehensive income

Comprehensive income includes current operating deficit and other comprehensive income (OCI). Other comprehensive income is comprised of unrealized fair-value gains and losses from investments, less previously deferred unrealized gains and losses that have been realized during the period through sale or impairment loss write-down and recognized in current income. Accumulated other comprehensive income (AOCI) includes unrealized fair-value gains and losses arising from holding available-for-sale investments. When the underlying securities are subsequently sold or written down, the resulting realized gain or loss is released from AOCI into investment income in the statement of operations.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rate. Foreign-currency transactions are translated into Canadian dollars using the exchange rate in effect when those transactions occur. Foreign currency gains and losses are recognized in income in the period in which they arise.

Cash and cash equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians are not available for general use, and accordingly are included in investments.

Investments

Portfolio investments, which comprise securities held for long-term capital appreciation and generation of income, are reported at fair value. Fixed income investments, marketable equity securities, and real estate and infrastructure investments are classified as available-for-sale investments. Derivatives used to manage asset and risk exposures are classified as held-for-trading instruments. Investments are initially recognized at acquisition cost (including premiums or discounts at date of purchase) and subsequently measured at fair value at each reporting date. WCB utilizes trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of investments.

Valuation of financial assets

The basis of measurement for financial assets is fair value as at the reporting date as follows:

- Publicly traded securities are based on their closing market prices or the average of the latest bid/ask prices quoted by independent securities valuation companies.
- Non-publicly traded private investment in infrastructure and real estate pooled funds are valued at the net asset values of the funds, which reflect the fair values of fund assets less fund liabilities.
- The fair value of real estate funds are based on independent annual appraisals, net of any liabilities against the fund assets.
- The fair value of the commercial mortgages fund is based on the market interest rate spread over Bank of Canada bonds with a similar term to maturity.

Valuation of derivatives

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. The fair value of WCB's derivative contracts is determined by the following methods:

- Interest rate swaps and cross-currency swaps are valued based on discounted cash flows using current market yields and exchange rates.
- Forward foreign-exchange contracts and futures contracts are valued based on quoted market prices.
- Bond index swaps are valued based on changes in the appropriate market index net of accrued floating-rate interest.
- Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.
- Swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters that measure changes in the underlying swaps.

Investment Income

Recognition and measurement

WCB recognizes interest revenue as earned, dividends when declared, and investment gains and losses when realized. Interest revenue is recognized over the term of a debt security using the effective interest rate method, and includes amortization of any premium or discount recognized at date of purchase. For real-return bonds, interest revenue also includes amortization, using the effective interest rate method, of adjustments to principal related to changes in inflation. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income.

Derivatives are classified as held-for-trading instruments, and as such, changes in fair value resulting from marking derivative contracts to market are recognized in investment income.

Transaction costs are included in the acquisition cost of individual securities. Direct investment expenses such as external custodial and management fees, as well as internal investment management expenses, are netted against investment income.

Derivative income

Included in investment income are changes in fair value resulting from marking derivative contracts to market. WCB's investment portfolio contains certain derivatives that meet hedge accounting requirements. Hedge accounting for these investments is optional, but the ability to apply it is contingent on satisfying rigorous technical requirements with respect to designation, documentation and effectiveness. WCB does not apply hedge accounting to the hedging relationships in its segregated investments, but uses hedge accounting indirectly in pooled investments.

Impairment of financial instruments

When the fair value of an investment falls below its cost, and the decline is determined to be other-than-temporary, a loss equivalent to the difference between cost and current fair value is recorded against investment income in the statement of operations. The assessment of other-than-temporary impairment considers the extent of the unrealized loss, the length of time that the security has been in a loss position, the financial condition of the issuer and WCB's intent to hold the security to any anticipated recovery.

Premium revenue

Premiums are billed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated based on historical experience, and any difference between actual and estimated premiums is adjusted the following year. Premium revenue is net of the Partnerships in Injury Reduction (PIR) rebate.

Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives. Amortization is calculated using the following annual rates and methods that best reflect the realization of benefits:

Buildings	*2.5% straight-line*
Equipment – computer	*35% declining balance*
– furniture and other	*15% declining balance*
– vehicles	*20% straight-line*
Computer software	*20% straight-line*

WCB evaluates its property, plant and equipment for impairment due to obsolescence, redundancy, deterioration, loss or reduction in future service potential. WCB writes down the carrying value to fair value and records the write-down amount as amortization expense.

Claim benefit liabilities

Claim benefit liabilities represent the actuarial present value, as estimated by WCB's external actuary, of all future benefit payments and claim administration costs that have been incurred in respect of current and prior years' injuries. Claim benefit liabilities have been estimated in accordance with accepted actuarial practice established by the Canadian Institute of Actuaries.

Employee future benefits

Permanent employees of WCB participate in defined benefit pension plans sponsored by the Province of Alberta. As these multi-employer plans meet the accounting requirements for treatment as defined contribution plans, the current year employer contributions are accounted for as current pension expense.

For senior management, WCB also sponsors a supplemental retirement income plan to provide post-employment benefits in excess of statutory limits. The supplemental plan is a defined benefit plan whose costs are actuarially determined each year using the projected benefit method prorated on service. Actuarial gains and losses arising from the annual valuation are not deferred and amortized, but recognized in benefit plan expense as they arise.

In addition to post-retirement benefits, WCB offers an income continuance plan for long-term disability to all permanent employees. The costs of providing such benefits are actuarially determined by WCB's benefit consultants. Valuation of the liability may result in a net actuarial gain or loss. The gain or loss that is greater than 10% of the benefit obligation is amortized to benefit plan expense over the estimated average expected remaining service period of employees.

2. FINANCIAL REPORTING CHANGES

Current disclosure changes

Section 1535 Capital Disclosures

On January 1, 2008, WCB adopted the provisions of new CICA Handbook Section 1535 *Capital Disclosures*. The new standard requires an entity to describe what it manages as capital, the nature of externally imposed capital requirements, if any, and how the entity is meeting its objectives for managing capital. See Note 3 and the 2008 Management Discussion and Analysis for further details.

Future accounting policy changes

Section 3064 Goodwill and Intangible Assets

On January 1, 2009, WCB will adopt the provisions of new CICA Handbook Section 3064 *Goodwill and Intangible Assets*. The new standard contains new recognition and measurement criteria for internally generated computer application software and separate presentation of intangible assets on the balance sheet. Although the adoption of Section 3064 will affect accounting processes for internal software development, it is not expected to materially affect WCB's operating results or financial position.

Adoption of International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that the changeover date for adoption of International Financial Reporting Standards (IFRS) by publicly accountable enterprises will be January 1, 2011. Changes to processes and systems are underway in order to develop comparative IFRS financial results for 2010. The 2008 Management Discussion and Analysis provides details on WCB's plans for adoption of IFRS, together with an assessment of readiness for 2010 and 2011.

3. FUNDING BASIS

Legislative authority

WCB operates under the authority of the *Workers' Compensation Act* (the *Act*), Revised Statutes of Alberta 2000, Chapter W-15, as amended.

Accident Fund

The *Act* stipulates the creation of an Accident Fund (the Fund) with sufficient funds to pay present and future compensation. The Fund is fully funded, when total fund assets equal or exceed total liabilities. This Funded Position (or net assets) represents the current funding status of the Fund. The Funded Position is maintained in two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR).

Fund Balance consists of accumulated net operating surpluses/deficits and accumulated other comprehensive income, which holds unrealized gains and losses on investments.

The ODR was established to provide for costs arising from latent occupational injury or disease where a causal link to the workplace has not been established, but may be established in the future. No provision against income has been made for future claims arising from such injury or disease because the determination of such claims cannot be reasonably estimated. The ODR is maintained at a percentage of claim benefit liabilities through a transfer from or to the Fund Balance.

Fund Management

Since the *Act* does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Funded Position. The primary objective in managing Funded Position is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment risk. WCB manages the financial status of the Accident Fund by monitoring Funded Position and making funding decisions in accordance with the Funding Policy.

The Funding Policy sets a target zone of 114% to 128% for the Funded Ratio (total assets divided by total liabilities) to guide funding decisions. When the Funded Ratio falls below the target zone, special funding requirements are included in premium rates. When the Funded Ratio is above the target zone, special dividends may be paid.

($ thousands)	**2008**	2007
Accident Fund		
Total Assets	$ 5,617,216	$ 6,750,995
Less:		
Total liabilities	5,026,886	5,077,726
Funded Position	$ 590,330	$ 1,673,269
Funded Ratio	111.7%	133.0%

4. CASH AND CASH EQUIVALENTS

($ thousands)	**2008**	2007
Cash in transit and in banks	$ 318	$ 1,132
Cash equivalents	95,046	159,311
	$ 95,364	$ 160,443

Cash equivalents are invested in a short-term pooled investment fund with an annual return of 3.5% (2007 – 4.88%).

5. RECEIVABLES

($ thousands)	**2008**	2007
Premium		
Assessed	$ 32,723	$ 38,269
Accrued	1,477	22,259
	34,200	60,528
Other	4,836	4,257
	$ 39,036	$ 64,785

Accrued premiums receivable represent estimated premiums related to employers that had not reported their insurable earnings by year-end. See Note 13 for details concerning the premium accrual.

6. INVESTMENTS

Fair value of financial instruments

The table below presents the cost and carrying amount at fair value for WCB's investments as at December 31, 2008, together with the change in fair value from their cost base recognized through other comprehensive income.

($ thousands)

	2008					2007		
	Adjusted Cost[1]	Unrealized Gains	Unrealized Losses	AOCI	Fair Value	Adjusted Cost[1]	AOCI	Fair Value
Available-for-sale investments								
Fixed income								
Nominal bonds:								
Canada	$ 2,292,834	$ 8,573	$ (59,731)	$ (51,158)	$ 2,241,676	$ 2,733,618	$ (32,594)	$ 2,701,024
Other markets	131,474	19,698	-	19,698	151,172	49,977	(1,070)	48,907
Mortgages[2]	160,712	-	(1,915)	(1,915)	158,797	21,782	(561)	21,221
	2,585,020	28,271	(61,646)	(33,375)	2,551,645	2,805,377	(34,225)	2,771,152
Equities								
Domestic:								
Canada	496,894	-	(110,892)	(110,892)	386,002	714,439	85,641	800,080
Foreign:								
Global[3]	1,817,371	5,167	(251,033)	(245,866)	1,571,505	1,731,066	124,263	1,855,329
Emerging markets	92,850	-	-	-	92,850	210,902	-	210,902
	2,407,115	5,167	(361,925)	(356,758)	2,050,357	2,656,407	209,904	2,866,311
Inflation-sensitive								
Real estate[4]	342,780	112,858	(686)	112,172	454,952	255,516	111,331	366,847
Infrastructure[5]	14,576	1,753	-	1,753	16,329	-	-	-
Real-return bonds	381,518	68,255	-	68,255	449,773	371,141	74,238	445,379
	738,874	182,866	(686)	182,180	921,054	626,657	185,569	812,226
	5,731,009	216,304	(424,257)	(207,953)	5,523,056	6,088,441	361,248	6,449,689
Derivatives[6]								
Fixed income	-	-	-	-	(6,536)	-	-	1,024
Equities	-	-	-	-	(92,782)	-	-	20,622
	-	-	-	-	(99,318)	-	-	21,646
	$ 5,731,009	$ 216,304	$ (424,257)	$ (207,953)	$ 5,423,738	$ 6,088,441	$ 361,248	$ 6,471,335

[1] *Adjusted cost includes the following:*

a) the accumulated amortization of discount or premium on fixed income securities; and

b) the written-down value for securities assessed to have an other-than-temporary decline in value.

[2] *Mortgages include commercial mortgages and multi-unit mortgages, but do not include single-dwelling residential mortgages.*

[3] *Global comprises U.S. and Europe, Australasia and Far East mandates.*

[4] *Real estate comprises pooled funds invested in commercial properties.*

[5] *Infrastructure consists of a pooled fund invested in infrastructure projects.*

[6] *Changes in the fair value of segregated fund derivatives is recognized in investment income rather than in AOCI. See Note 7 Investment Risk Management for more details concerning derivatives.*

7. INVESTMENT RISK MANAGEMENT

Investment governance

The Board of Directors is ultimately responsible for overall governance and strategic direction of the investment portfolio through its review and approval of the Investment Policy and ongoing monitoring of investment performance and compliance.

WCB management is responsible for monitoring investment performance, recommending changes to the Investment Policy and selecting fund managers. WCB retains independent consultants to benchmark the performance of its fund managers, and to advise on the appropriateness and effectiveness of its Investment Policy and practices.

Key financial risks

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its claim liabilities. Risk management for investments needs to be closely aligned with the risk management of liabilities to best manage this funding risk.

WCB's primary risk mitigation strategy is the implementation of its Investment Policy. As determined through an asset/liability study, the Investment Policy target asset mix, and associated risk and return characteristics, have been established to provide guidelines for a broad investment strategy, as well as specific approaches to portfolio management. The Investment Policy also calls for maintaining a well-diversified portfolio, both across and within asset classes, and engaging fund managers who represent a broad range of investment philosophies and styles, all within a rigorous compliance framework.

WCB has identified key investment risks that directly affect the sufficiency of its investments to fund current and future claim obligations:

- **market risks** – these risks include movements in equity market prices, interest rates, credit spreads and foreign currency exchange rates.
- **other investment risks** – these risks relate to the specific composition and management of WCB's portfolio and include liquidity risk, securities lending risk, counterparty default risk and derivatives risk.

The following sections describe these risk drivers of WCB's exposure and mitigation strategies for each risk.

Equity market risk

WCB is exposed to equity market risk, which is the risk that the fair value of its investments in publicly traded shares listed on domestic and foreign exchanges will fluctuate in the future because of price changes. Such price changes are subject to macroeconomic factors and other capital market dynamics, which may affect the market value of individual securities.

WCB's mitigation strategy for equity market risk is disciplined oversight of investment activities within a formal investment control framework that has been reviewed and validated by independent experts, to ensure continuous compliance with approved policies and practices. The target asset mix, which reflects WCB's investment beliefs, objectives and risk tolerance, is the primary method for controlling the exposure to equity market risk.

The table below presents the effect on WCB's equity mandates of a significant adverse change* in the key risk variable—the portfolio weighted average (asset class) benchmark:

($ thousands)	2008		2007	
Equities	**1 std dev**	**2 std dev**	1 std dev	2 std dev
% change in Canadian market benchmark	(15.1%)	(30.1%)	(9.8%)	(19.6%)
Canadian mandate	$ (50,494)	$ (89,306)	$ (71,368)	$ (131,051)
% change in Global market benchmark	(11.3%)	(22.5%)	(9.7%)	(19.3%)
Global mandate	$ (149,653)	$ (271,799)	$ (165,290)	$ (303,840)
% change in Emerging market benchmark	(20.2%)	(40.5%)	(16.1%)	(32.3%)
Emerging markets mandate	$ (15,629)	$ (26,755)	$ (29,348)	$ (51,537)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates.

The table below presents the effects of a nominal interest rate change of 50 and 100 bps** on the respective bond portfolios:

($ thousands)	2008		2007	
+/- bp change in nominal interest rate	+50 bp	+100 bp	+50 bp	+100 bp
Nominal bonds	$ (70,543)	$ (141,087)	$ (91,261)	$ (182,523)
+/- bp change in nominal interest rate	+50 bp	+100 bp	+50 bp	+100 bp
Real return bonds	$ (33,914)	$ (67,828)	$ (35,342)	$ (70,683)

* *A change is considered to be material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One standard deviation covers 68% of all probable outcomes; two standard deviations, 95%. The benchmark deviations are based on 2008 performance data.*

** *One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1% or 0.5%.*

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income investments exposed to interest rate risk as at December 31, 2008:

($ thousands)	Remaining term to maturity					
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	**2008**	2007
Nominal[1] bonds						
Canadian – externally managed	$ 80,279	$ 507,805	$ 479,433	$ 478,798	$ 1,546,315	$ 2,172,407
Average effective yields	8.3%	5.8%	6.0%	5.3%	5.9%	5.7%
Other markets	13,196	59,526	43,570	28,435	144,727	49,952
Average effective yields	2.9%	3.0%	4.4%	5.7%	4.6%	4.2%
Canadian – internally managed	74,838	260,225	152,715	207,604	695,382	528,626
Average effective yields	1.9%	3.3%	5.2%	4.5%	3.9%	4.5%
	168,313	827,556	675,718	714,837	2,386,424	2,750,985
Real[1] return bonds						
Canadian – internally managed	7,967	-	-	441,823	449,790	445,389
Average effective yields	2.0%	-	-	2.2%	2.2%	2.0%
	7,967	-	-	441,823	449,790	445,389
	$176,280	$ 827,556	$ 675,718	$ 1,156,660	$ 2,836,214	$ 3,196,374

[1] *Nominal yield reflects the total yield to maturity, whereas real yields are net of inflation.*

Fixed income pricing risk

Fixed income pricing risk related to financial securities arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors or individual issuers. The change in risk is generally manifested through changes in the security's credit spread.

WCB's investment portfolio is exposed to fixed income pricing risk through participation in a nominal Canadian bond pool, a global fixed income mandate and a Canadian mortgage pool, as well as through direct holdings of fixed income securities.

The table below presents the effects of a change in the credit spreads of 50 and 100 bps on the non-government portion of the bond portfolio:

($ thousands)	**2008**		2007	
+/- bp change in nominal interest rate	+50 bp	+100 bp	+50 bp	+100 bp
Nominal bonds[1]	$ (6,906)	$ (13,812)	$ (3,735)	$ (7,470)

[1] *Segregated funds only. The real return bond portfolio includes only government issues.*

Foreign currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates.

In its Canadian fixed income pooled investments, WCB is exposed to foreign currency volatility that is managed through forward foreign-exchange contracts and cross-currency interest rate swaps. The global fixed income segregated fund is fully hedged to the Canadian dollar by utilizing forward currency contracts. For its foreign-equity investments, WCB utilizes a currency overlay to hedge 50% of the aggregate currency exposure from foreign equities. The currency overlay is executed through forward foreign-exchange contracts on the U.S. dollar, euro and other major currencies. As the Canadian dollar moves against hedged foreign currencies, the resulting appreciation or depreciation on foreign investments in the balance sheet is reflected in the statement of operations as a 50% offsetting gain or loss.

WCB's largest currency exposure is to the U.S. dollar, with unhedged holdings of $432,501 (2007 – $583,701); euro exposure is next, with unhedged holdings of $76,834 (2007 – $97,390). For the year ended December 31, 2008, the net loss from the currency overlay was $179,883 (2007 – $118,336 gain).

The table below presents the effects on the foreign equity mandate of a material change in the Canadian/U.S. dollar and Canadian/euro exchange rates:

($ thousands)	**2008**		2007	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
December 31 spot rate	*0.8100*	*0.5827*	*1.0132*	*0.6930*
10% appreciation in the Canadian dollar	*0.8910*	*0.6410*	*1.1145*	*0.7623*
Global mandate	$ (39,318)	$ (6,985)	$ (53,064)	$ (8,854)

Liquidity risk

Liquidity risk stems from the lack of marketability of a security that cannot be bought or sold quickly enough to prevent or minimize a loss. Lack of liquidity in the market acts as a constraint against optimum portfolio management decisions. Because WCB's operating cash flows are generally sufficient to fund ongoing obligations, market illiquidity is not a critical concern but, from time to time, it may hinder the efficient management of portfolio activities such as rebalancing the asset mix, reallocating assets between fund managers and funding major commitments.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for liquidations of portfolio assets in volatile markets. To cover unanticipated cash requirements when market conditions are unfavourable, WCB has negotiated a standby line of credit of up to $20 million, which has not been drawn down as at December 31, 2008. Given its stable operating cash flows, active cash management and credit facilities in place, WCB does not believe it has significant liquidity risk.

Securities-lending risk

To generate additional income, WCB participates in a securities-lending program sponsored by its custodian. Under this program, the custodian may lend any of WCB's investments to eligible third parties for short periods. These loans are secured against loss with readily marketable securities having a minimum fair value of 100% of the loan. The custodian is contractually obligated to indemnify WCB for any losses resulting from defective security. For 2008, securities-lending transactions generated income of $2,432 (2007 – $1,644).

WCB is also exposed to securities-lending risk through participation in certain pooled funds.

Counterparty default risk

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligation to WCB.

To mitigate counterparty default risk, WCB ensures that the credit ratings of counterparties do not fall below an acceptable threshold. Issuers of debt securities will have at least a B- or equivalent score from a recognized credit-rating agency, or must meet other stringent investment criteria. Counterparties for derivative contracts will have at least an A- credit rating or equivalent from a recognized credit-rating agency.

As at December 31, 2008, the aggregate amount of fixed income securities with counterparty ratings below BBB- is presented in the table below:

($ thousands)	**2008**	2007
Corporate bonds		
Segregated funds	$ 1,824	$ 352
Pooled funds	3,092	13,023
	$ 4,916	$ 13,375

WCB's Investment Policy also imposes stringent restrictions with respect to material concentration in any single asset class, sector, fund and counterparty. Each fund is closely monitored on a monthly basis for compliance to ensure that aggregate exposures do not exceed those investment constraints.

Derivatives risk

Although derivatives represent an important component of WCB's risk management strategy, the portfolio does not contain any derivatives intended for speculative or trading purposes. An example of derivatives used for risk mitigation is the currency overlay described in the currency risk section, which is a partial hedge of the currency exposure. From time to time, derivatives are also utilized as a portfolio management technique, such as the asset overlay, to replicate a target asset mix or achieve certain asset exposures when it is not possible or cost-effective to hold securities directly.

The notional value of a derivative contract used in a hedging arrangement represents the exposure that is being hedged, and is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not indicative of the credit risk associated with such derivative contracts and are not recognized in these financial statements. WCB's credit exposure is represented by the replacement cost of all outstanding contracts in a receivable (positive fair value) position. Counterparty default risk with respect to derivative contracts is mitigated in accordance with investment guidelines described in the earlier section on counterparty default risk.

The tables below presents the notional principal, as well as the fair value, of all open derivative contract positions in segregated and pooled funds as at December 31, 2008:

Derivative Exposures in Segregated Funds

($ thousands)

	Asset Mandates	Remaining term to maturity			2008		2007	
		Within 1 year	1 to 5 years	5 to 10 years	**Notional Principal**	**Fair Value**	Notional Principal	Fair Value
Asset replication contracts								
Equity index futures contracts	Global equities	100%	-	-	$ 186,763	$ 7,108	$ 252,826	$ 3,254
Bond futures contracts	Global fixed income	100%	-	-	286,202	(12,462)	11,312	56
					472,965	(5,354)	264,138	3,310
Foreign-exchange contracts								
Currency overlay forward contracts	Global equities	100%	-	-	1,038,985	(98,680)	2,950,458	17,997
Forward foreign-exchange contracts	Global equities/fixed income	100%	-	-	487,201	4,716	156,004	339
					1,526,186	(93,964)	3,106,462	18,336
					$1,999,151	$ (99,318)	$3,370,600	$ 21,646

Derivative Exposures in Pooled Funds

($ thousands)

	Asset Mandates	Remaining term to maturity			2008		2007	
		Within 1 year	1 to 5 years	5 to 10 years	**Notional Principal**	**Fair Value**	Notional Principal	Fair Value
Asset replication contracts								
Equity index swaps	Canadian equities	100%	-	-	$ -	$ -	$ 141,757	$ (728)
Equity index futures contracts	Canadian equities	100%	-	-	-	-	62,906	879
Bond index swaps	Canadian fixed income	100%	-	-	105,276	2,769	196,964	2,140
Bond futures contracts	Global fixed income	100%	-	-	10,705	645	122,997	3,372
					115,981	3,414	524,624	5,663
Interest rate contracts								
Interest rate swaps	Canadian fixed income	10%	-	90%	97,528	(198)	914,803	(528)
Cross-currency interest rate swaps	Canadian fixed income	-	31%	69%	91,771	(6,035)	158,334	19,003
					189,299	(6,233)	1,073,137	18,475
Foreign-exchange contracts								
Forward foreign-exchange contracts	Fixed income	100%	-	-	28,557	(3,275)	44,795	462
Credit derivatives								
Credit default swaps	Canadian fixed income	4%	44%	52%	2,080,889	(33,011)	2,115,882	(5,592)
Other contracts								
Swap option contracts	Canadian fixed income	-	-	-	-	-	1,243,503	235
					$2,414,726	$ (39,105)	$5,001,941	$ 19,243

8. PROPERTY, PLANT AND EQUIPMENT

($ thousands)	2008			2007
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	$ 1,092	$ -	$ 1,092	$ 1,092
Buildings	39,844	16,713	23,131	22,845
Equipment	13,565	7,599	5,966	2,249
Computer software	104,990	84,600	20,390	19,995
Software under development	8,499	-	8,499	8,251
	$ 167,990	$ 108,912	$ 59,078	$ 54,432

9. PAYABLES AND ACCRUALS

($ thousands)	**2008**	2007
Partnerships in Injury Reduction rebates	$ 71,776	$ 76,851
Accrued employee benefits	25,724	23,815
Other	19,313	22,015
	$ 116,813	$ 122,681

Partnerships in Injury Reduction rebates (Note 13) are paid to those employers that have met the eligibility requirements.

10. DIVIDENDS PAYABLE

The table below is a reconciliation of the changes in the dividends charged to the Fund Balance and payable to employers that have met the eligibility criteria for the premium year:

	Change in Fund Balance		**Dividends Payable**	
($ thousands)	**2008**	2007	**2008**	2007
Special dividend, beginning of year			$ 348,745	$ 443,344
Payment of prior years' dividends			(344,304)	(430,667)
			4,441	12,677
Adjustment of prior years' accruals	$ (68)	$ (9,932)	(68)	(9,932)
Outstanding balance from prior years			4,373	2,745
Special dividend authorized for the year	-	346,000	-	346,000
Special dividend, end of year	$ (68)	$ 336,068	$ 4,373	$ 348,745

11. CLAIM BENEFIT LIABILITIES

Claim benefit liabilities have been independently valued as at December 31, 2008 by WCB's external actuary. Claim benefit liabilities include a provision for all benefits provided by current legislation, WCB policies and administrative practices. These liabilities also include a provision for the future expenses of administering those benefits, including funding obligations to the Appeals Commission and Medical Panel Office. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period. Claim benefit liabilities also do not include a provision for benefit costs of self-insured employers.

Since the claim benefit liabilities of WCB are of a long-term nature, the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgment must be exercised in developing these assumptions. Accordingly, changes in future conditions within one year of the financial statement date could require a material change in the recognized amounts.

Estimated future expenditures are expressed in constant dollars and then discounted at the assumed real rate of return on investments (i.e., the difference between expected long-term investment earnings and the expected long-term general inflation rate). Long-term economic assumptions are shown in the table following the liabilities presentation. Health care costs are escalated at 6.75% annually to reflect expected higher increases in health care costs and utilization.

The table below presents a breakdown of WCB's total claim benefit liabilities by benefit category as at December 31, 2008, with details of the transactions during the year:

($ thousands)

	2008							2007
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Claim Administration[1]	Total Claim Liabilities	Total Claim Liabilities
Claim benefit liabilities, beginning of year	$ 380,000	$ 1,989,100	$ 440,400	$ 1,417,300	$ 120,400	$ 259,100	$ 4,606,300	$ 4,396,900
Increase in claim benefit liabilities:								
Claim costs incurred								
Current year injuries	164,815	166,839	32,908	312,384	28,670	74,118	779,734	775,911
Prior years' injuries	7,551	55,026	76,829	24,184	(11,375)	39,686	191,901	79,353
	172,366	221,865	109,737	336,568	17,295	113,804	971,635	855,264
Decrease in claim benefit liabilities:								
Claim payments made								
Current year injuries	69,615	1,939	1,408	114,384	2,070	26,318	215,734	212,411
Prior years' injuries	79,851	127,926	46,329	126,784	20,025	55,586	456,501	433,453
	149,466	129,865	47,737	241,168	22,095	81,904	672,235	645,864
Claim benefit liabilities, end of year	$ 402,900	$ 2,081,100	$ 502,400	$ 1,512,700	$ 115,600	$ 291,000	$ 4,905,700	$ 4,606,300

[1] *Claim Administration payments of $81,904 (2007 – $80,006) are comprised of general claim administration (see Note 16) of $72,902 (2007 – $70,769), Appeals Commission of $8,756 (2007 – $8,980) and Medical Panel Office of $246 (2007 – $257).*

Key actuarial assumptions

The table below presents the annual rates for key long-term economic assumptions used to determine the claim benefit liabilities:

	2008	2007
Nominal rate of return	5.58%	5.58%
General inflation rate	2.50%	2.50%
Real rate of return	3.00%	3.00%
Cost-of-living allowance	2.00%	2.00%
Wage escalation	3.50%	3.50%
Health care escalation	6.75%	6.75%

Changes in claim benefit liabilities

The table below is a reconciliation of the major changes in the claim benefit liabilities during the year:

($ thousands)	**2008**		2007
Claim benefit liabilities, beginning of year		$ 4,606,300	$ 4,396,900
Add (deduct) changes in liabilities:			
Provision for future costs of current-year injuries		564,000	563,500
Interest accrued on the liabilities		241,800	242,500
Payments for prior years' injuries, excluding self-insured employers		(448,630)	(425,690)
		4,963,470	4,777,210
Add impact of policy changes:		46,000	-
Add (deduct) changes in actuarial methodology and experience:			
Changes in actuarial methods and assumptions:			
Reduction in the real rate of return	-		114,800
New incidence rates for outstanding economic loss payments	(39,900)		(125,100)
Other changes in methods and assumptions	92,500	52,600	(69,300)
Claims experience (gains) and losses:			
Difference between actual and expected long-term cost-of-living adjustments and inflation	25,000		77,100
Actual costs less than expected	(96,100)		(115,700)
Other experience gains	(85,270)	(156,370)	(52,710)
		(57,770)	(170,910)
Claim benefit liabilities, end of year		$ 4,905,700	$ 4,606,300

Sensitivity of actuarial assumptions

The most significant assumption in the determination of the claim benefit liabilities is the real rate of return. The real rate of return is the assumed rate of return in excess of the assumed inflation rate. A reduction in the assumed real rate of return would increase the actuarial present value of the claim benefit liabilities.

Health care benefits represent approximately 31% of the claim benefit liabilities. An increase in the assumed health care escalation rate would result in an increase in the claim benefit liability for health care.

The table below presents key assumptions used to determine the claim benefit liabilities and the sensitivity of the liabilities to an immediate 0.25% increase or decrease in the assumed rates:

($ thousands)	**2008**		2007	
+/- % change on assumed rates	**+0.25%**	**-0.25%**	+0.25%	-0.25%
Real rate of return	$ (136,800)	$ 145,600	$ (126,000)	$ 133,000
Health care escalation rate	$ 52,300	$ (49,600)	$ 48,300	$ (45,800)

12. EMPLOYEE FUTURE BENEFITS

Pension plans

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the Province of Alberta, namely the Management Employees Pension Plan (MEPP) and the Public Service Pension Plan (PSPP). As a plan participant in these multi-employer pension plans, WCB's expense for PSPP and MEPP for the year ended December 31, 2008 is equivalent to the aggregate annual contributions of $7,215 (2007 – $7,312). The current employer contribution rates on pensionable earnings are as follows:

- MEPP: 18.00% (2007 – 18.00%)
- PSPP: 6.69% up to YMPE† (2007 – 6.69%), 9.55% above YMPE (2007 – 9.55%)

At December 31, 2008, the MEPP and the PSPP reported plan deficiencies.

Supplemental executive retirement plan

WCB sponsors a non-contributory supplemental executive retirement plan (SERP), with the WCB Accident Fund covering the obligations of the plan. Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act*. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings. Future pension benefits are based on the participants' years of service and earnings.

The cost of benefits is actuarially determined by WCB's benefit consultants using the projected benefit method prorated on service, a market interest rate, management's best estimate of projected costs and the expected years of service until retirement. Current benefit cost represents the actuarial present value of the benefits earned in the current period. Current benefit costs are not cash payments in the period, but are the period expense for rights to future compensation. Interest cost represents the amount required in each year to build up the liability over the projected service period to its future value. Actuarial gains and losses arise from assumption and/or methodology changes and claim experience related to the benefit obligation, and are recognized immediately in current expense.

See Note 17 for a detailed breakdown of SERP costs.

† *Year's Maximum Pensionable Earnings under the Canada Pension Plan ($44,900 in 2008; $46,300 in 2009).*

Long-term disability plan

WCB administers a non-contributory long-term disability (LTD) income continuance plan for its employees, with the WCB Accident Fund covering the obligations of the plan. LTD benefits are the sum of all liabilities related to claims that have occurred in the period.

The cost of benefits is actuarially determined by WCB's benefit consultants based on claims outstanding, a market interest rate, management's best estimate of projected costs and the expected benefit period. Current benefit cost represents the actuarial present value of the expected future payments. Interest cost represents the amount required in each year to build up the liability over the projected benefit period to its future value. Actuarial gains and losses arise from assumption and/or methodology changes and claim experience related to the benefit obligation. Such gains and losses that exceed 10% of the benefit obligation are amortized over the expected average benefit period.

The table below is a summary of the costs and liability balances, as at December 31, 2008, of WCB's employee future benefit plans:

($ thousands)	**2008**		2007	
	LTD	**SERP**	LTD	SERP
Accrued benefit liability, beginning of year	$ 12,722	$ 1,095	$ 13,471	$ 666
Current benefit cost	2,202	427	434	212
Interest cost	573	83	451	47
Amortization of actuarial (gains) losses	(72)	-	(190)	-
Actuarial (gains) losses	n/a[1]	(543)	n/a[1]	170
Benefit payments	(1,163)	-	(1,444)	-
Accrued benefit liability, end of year [2]	$ 14,262	$ 1,062	$ 12,722	$ 1,095

[1] LTD plan has unrecognized net actuarial gains for 2008 of $2,838 (2007 - $1,829).

[2] Accrued benefit liabilities are included in "Accrued employee benefits" under "Payables and accruals."

The table below presents key assumptions applicable to WCB-sponsored employee future benefit plans:

	2008		2007	
	LTD	**SERP**	LTD	SERP
Date of most recent actuarial valuation	**12/31/2008**	**12/31/2008**	12/31/2007	12/31/2007
Discount rate (nominal)	6.65%	6.90%	5.50%	5.50%
Inflation rate	n/a	2.50%	n/a	3.00%
Salary escalation rate	4.50%	4.00%	4.50%	5.00%

13. PREMIUM REVENUE

($ thousands)	2008	2007
Premiums		
Assessed premium revenue	$ 1,044,036	$ 1,035,324
Self-insured employer revenue (Note 18)	10,542	10,111
Other premium-related revenue	10,965	9,141
	1,065,543	1,054,576
Deduct: Partnerships in Injury Reduction rebates (Note 9)	71,776	76,851
	$ 993,767	$ 977,725

Assessed premium revenue includes an accrual of $1,477 (2007 – $22,259) for premiums yet to be assessed related to unreported insurable earnings for the current fiscal year. The accrual has been determined using a statistical model that estimates the amount of unreported earnings based on actual returns processed to date and historical patterns of processed to unprocessed returns as at a specified point in time. Historically, year-end premium revenue accruals have ranged from 0.1% to 6.0% of total processed premiums.

Partnerships in Injury Reduction (PIR) rebates are paid to those employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement on claims experience and safety performance relative to industry benchmarks, among others. Historically, the PIR rebate accrual has ranged from 7% to 8% of total processed premiums.

For both premium and PIR accruals, the difference between actual and estimated amounts in past years has not been material.

14. INVESTMENT INCOME

Investment income[1]- net ($ thousands)	**2008**	2007
Fixed income		
Nominal bonds:	$ 29,129	$ 121,635
Canada[2]	(15,993)	1,022
Other markets	7,355	287
Mortgages		
Cash and cash equivalents	5,082	5,148
	25,573	128,092
Equities		
Domestic	(19,402)	109,554
Foreign:		
Global[3]	(317,436)	242,195
Emerging markets	7,252	48,130
	(329,586)	399,879
Inflation-sensitive		
Real estate	22,360	36,627
Infrastructure	(1,606)	-
Real-return bonds	10,721	11,307
	31,475	47,934
	(272,538)	575,905
Deduct:		
Impairment write-downs	147,061	6,435
Investment-related administration expense[4]	1,734	1,495
	$ (421,333)	$ 567,975

[1] *Investment income is net of transaction costs' external management fees and expenses (i.e., custodial, audit, etc.) of $14,502 (2007 - $12,708) that are netted against the respective revenue source.*

[2] *Canadian nominal bond income includes a pooled fund write-down of $37,821 (2007 - $380).*

[3] *Global equity income includes a loss of $179,883 (2007 - $118,336 gain) from the currency overlay.*

[4] *Internal administration expenses are netted against investment income, but not attributed to specific revenue sources.*

Impairment write-downs

WCB applies a three-step process for recognizing impairment losses on available-for-sale investments:

- identifying investments with significant unrealized losses;
- determining whether the decline in value is temporary or other-than-temporary; and
- removing the entire loss from AOCI and recognizing it in income.

Determining whether an investment is impaired is a matter of judgment. WCB interprets other-than-temporary as a decline in value in excess of normal volatility for 12 consecutive months. For securities whose decline in value is particularly severe, or those operating in a troubled sector, or where the prospects for recovery of carrying value is not probable within the expected holding period, the duration criterion may be waived.

In applying judgment, WCB also considers such factors as market conditions, facts and circumstances concerning specific securities and their issuers, expectations of performance and the views of other knowledgeable parties, such as fund managers.

15. OTHER REVENUE

($ thousands)	2008	2007
Other	$ 206	$ 217
Millard Health[1]	1,699	733
	$ 1,905	$ 950

[1] *Millard Health revenue is net of operating expenses of $23,116 (2007 – $23,754).*

16. ADMINISTRATION EXPENSES

($ thousands)	2008	2007
Salaries and employee benefits	$ 115,708	$ 107,425
Office and technology	25,524	22,698
Amortization of property, plant and equipment	8,771	8,462
Building operations	6,080	5,679
Consulting fees	2,915	2,863
Travel, vehicle operation and other	1,488	1,313
	160,486	148,440
Deduct:		
Claim administration costs	72,902	70,769
Investment management expenses charged to investment income	1,734	1,495
Recovery of costs	3,719	3,415
	$ 82,131	$ 72,761

17. SALARIES AND BENEFITS

The table below presents total compensation of the directors and senior management of WCB following the recommendations of the Salary and Benefits Disclosure Directive issued by the Treasury Board of Alberta:

	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	SERP[4]	Total
			2008		
Chair, Board of Directors[5]	$ -	$ 89,688	$ 3,457	$ -	$ 93,145
Board Members[5]	-	175,914	13,004	-	188,918
President & Chief Executive Officer	335,000	179,500	37,459	(52,300)	499,659
Vice-president, Disability & Information Management	250,000	88,500	29,010	(27,800)	339,710
Vice-president, Customer Service & Risk Management	250,000	88,500	30,090	2,000	370,590
Vice-president, Employee & Corporate Services	210,000	69,000	29,111	(8,900)	299,211
Chief Financial Officer	250,000	93,500	31,150	(4,800)	369,850
Secretary & General Counsel	210,000	69,000	31,986	(2,100)	308,886
			2007		
Chair, Board of Directors[5]	$ -	$ 78,650	$ 3,502	$ -	$ 82,152
Board Members[5]	-	146,328	11,490	-	157,818
President & Chief Executive Officer	300,000	162,000	30,679	93,000	585,679
Vice-president, Disability & Information Management	200,000	76,180	27,411	81,900	385,491
Vice-president, Customer Service & Risk Management	200,000	76,000	28,491	65,700	370,191
Vice-president, Employee & Corporate Services	175,000	58,500	27,138	48,800	309,438
Chief Financial Officer	200,000	71,500	29,595	49,200	350,295
Secretary & General Counsel	175,000	58,500	30,444	49,400	313,334

[1] *Base salary is pensionable base pay.*

[2] *Other cash benefits include performance awards, lump sum payments, honoraria, vacation pay and car allowances.*

[3] *Other non-cash benefits include employer's share of all employee benefits and contributions or payments made to or on behalf of employees, including statutory contributions, pension plan, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plan, travel allowances, educational costs and professional and other memberships. No amounts are included for the value of parking.*

[4] *Employer's net expense for the supplemental executive retirement plan (SERP). See Note 12 for details of the plan and the following table for the costs related to each named executive officer.*

[5] *The Chair of the Board of Directors and the nine Board Members are part-time positions.*

The current service cost for each executive under the SERP is presented in the table below:

	2008				2007	
	Current Service Cost[1]	Other Costs[2]	Net Cost	Accrued Obligation Dec. 31, 2008	Net Cost	Accrued Obligation Dec. 31, 2007
President & Chief Executive Officer	$ 64,400	$(116,700)	$ (52,300)	$ 301,900	$ 93,000	$ 354,200
Vice-president, Disability & Information Management	45,300	(73,100)	(27,800)	153,400	81,900	181,200
Vice-president, Customer Service & Risk Management	39,000	(37,000)	2,000	157,800	65,700	155,800
Vice-president, Employee & Corporate Services	26,700	(35,600)	(8,900)	98,000	48,800	106,900
Chief Financial Officer	39,000	(43,800)	(4,800)	70,900	49,200	75,700
Secretary & General Counsel	28,100	(30,200)	(2,100)	110,300	49,400	112,400
Other senior management and inactive members	184,100	(123,000)	61,100	169,900	40,900	108,800
	$ 426,600	$(459,400)	$ (32,800)	$1,062,200	$ 428,900	$ 1,095,000

[1] *Current service cost is the actuarial present value of future benefit obligations arising from employee service in the current period.*

[2] *Other costs include interest on the liability and actuarial gains and (losses) arising from assumption changes and/or experience.*

18. SELF-INSURED EMPLOYERS

The financial statements include the effects of transactions on behalf of self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenses. Currently, the Federal Government of Canada is the only self-insured employer. This is a contractual relationship in accordance with the *Government Employees Compensation Act*. Certain government-related entities and railways are responsible for the cost of injuries to their workers that occurred when they were self-insured in prior years.

Included in the balance sheet is $1,804 (2007 – $1,071) for receivables. Presented below are the aggregate amounts of premiums and offsetting expenses included in the statement of operations:

($ thousands)	2008	2007
Claim costs	$ 8,444	$ 8,247
Administration	2,098	1,864
Self-insured employer revenue (Note 13)	$ 10,542	$ 10,111

19. INJURY REDUCTION

WCB has a statutory obligation to reimburse the Alberta Minister of Finance and Enterprise a portion of the costs associated with administration of the *Occupational Health and Safety Act*. Funding is also provided to industry-sponsored safety associations to promote improved workplace safety practices. Funding costs incurred are recovered as components of the premium rate charged annually to employers.

The following table shows the amounts paid during 2008 under these programs:

($ thousands)	**2008**	2007
Occupational Health and Safety	$ 20,900	$ 20,900
Safety associations	13,479	10,176
	$ 34,379	$ 31,076

20. RELATED-PARTY TRANSACTIONS

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards and commissions related to WCB by virtue of common influence by the Government of Alberta. Routine operating transactions in the ordinary course of business with related parties are settled at prevailing market prices under normal trade terms.

Included in related-party transactions are certain funding obligations relating to Occupational Health and Safety, the Appeals Commission and the Medical Panel Office that are in accordance with the applicable legislation and/or regulations. Funding costs incurred are recovered as components of the assessed premium rate charged to employers. The amounts outstanding at December 31, 2008, and transactions throughout the year related to statutory funding obligations are as follows:

($ thousands)	**2008**	2007
Receivables	$ 2	$ 3
Payables and accruals	$ 2,044	$ 2,031
Expenses	$ 29,620	$ 29,879

21. COMMITMENTS

WCB has obligations under long-term non-cancellable contracts for land, office space, leased equipment and commitments for purchases of goods and services. The following is a schedule of future expenditure commitments:

($ thousands)	2008	2007
2008	$ -	$ 16,417
2009	18,109	5,648
2010	9,849	2,061
2011	8,581	424
2012	1,517	312
Beyond	9,905	2,744
	$ 47,961	$ 27,606

22. CONTINGENCIES AND INDEMNIFICATION

Legal proceedings

WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcomes of such claims and lawsuits are not determinable. Based on the total amount of all such actions however, WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

Indemnification agreements

In the normal course of business, WCB enters into contractual agreements that contain standard contract terms to indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

23. BUDGET

The Board of Directors approved the 2008 budget in October 2007.

24. COMPARATIVE FIGURES

Certain comparative figures for 2007 have been reclassified where required to conform to the current year's presentation and disclosure.

Appendix: **Glossary**

Actuarial required real rate of return:

The real rate of return (nominal rate less inflation) on actuarially matched investment assets that will generate sufficient income to cover the interest requirement on the liability. Actuarially matched assets represent the sum that must be invested to earn a real rate of return (identical to the real discount rate) to fully discharge the actuarial liability at maturity. See also ***real discount rate***.

Asset-liability management:

A risk management approach to ensure sufficiency of resources to discharge specified obligations by managing the risk characteristics of invested assets relative to liabilities for such factors as yields, duration, volatility and default.

Asset-liability study:

A financial model for determining the appropriate amount and mix of investment assets, given a specified level of risk, to generate a return that is sufficient to fund the interest requirement of matched claim-benefit liabilities.

Asset overlay:

A portfolio management strategy designed to replicate an asset or portfolio position without actually holding securities directly. The desired position is achieved by entering into a futures contract or option on the future price movement of a security or an index.

Average premium rate:

Calculated as total revenue requirements divided by the projected insurable earnings for the premium year.

Comprehensive income:

The change in equity (or ***net assets***) of an enterprise during a period from all transactions and events other than investments by and distributions to owners. Comprehensive income is composed of operating income and other comprehensive income, which includes those revenues, expenses, gains and losses that, in accordance with the primary sources of GAAP, are recognized in comprehensive income but excluded from operating income.

Currency overlay:

A foreign-currency risk management strategy used in international investment portfolios to separate the management of currency risk from the asset allocation and security selection decisions of the fund managers.

Derivative:

A ***financial instrument*** whose characteristics and value depend upon the characteristics and value of an underlying security, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options. Derivatives are used to manage the risk associated with the underlying security, to protect against fluctuations in value, or to profit from periods of inactivity or decline.

Fair value:

The amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In the context of investments, fair value is generally synonymous with market value.

Financial instrument:

Any contract that gives rise to a financial asset (e.g., cash equivalent, accounts or note receivable, share security) of one party and a financial liability (e.g., accounts or note payable, bond) or equity instrument (e.g., stock option, warrant) of another party.

Financial risk:

The possibility or chance that an investment's return will be other than expected, positively or negatively. In general, financial risk has a negative meaning, as in the possibility of losing some or all of the original investment, or adverse changes in its cash flows. For a specific investment, risk is usually measured by calculating the standard deviation of its historical or average returns. See also ***risk***.

Fund management:

Fund management is both a framework and a process designed to maintain a level of funding to ensure that:

- Compensation benefits are sustainable and protected;
- Premium rate and funding requirements are predictable; and
- The Accident Fund remains solvent.

The Funding Policy, which embodies these objectives, provides direction for management in financial planning and decision-making. Key processes for fund management include risk assessment, ***asset-liability management***, application of funding rules, compliance monitoring and governance.

Funded Position:

The excess of total assets less total liabilities, expressed either in dollar terms (see ***net assets***) or as a ratio of total assets to total liabilities. The Funded Position is the measure of financial solvency or the sufficiency of assets to meet all obligations. It is the aggregate amount of accumulated equity generated by operating surplus, reserves and other comprehensive income.

Funded ratio:

The Funded Position expressed as a percentage of total liabilities, indicating the amount of accumulated surplus, investment holding gains or losses, and reserves available to fund unexpected increases in liabilities. Funded ratio is the key metric of financial solvency used in ***fund management***.

Hedging:

A portfolio management activity designed to modify an entity's exposure to one or more financial risks by creating an offset between changes in the fair value of or the cash flows attributable to the hedged item and the hedging item (or the changes resulting from a particular risk exposure relating to those items).

Mark to market:

Refers to the accounting process of adjusting the book or carrying value of a security, account or portfolio to its current market value in the financial statements. When market values are not available or are unreliable, an alternative approach is mark to model, which uses the output of a valuation technique or financial model to approximate the expected value.

Meredith Principle:

In his report on workers' compensation in 1913, then-Chief Justice of Ontario Sir William Meredith outlined a framework, now commonly known as the Meredith Principle:

- Workers receive compensation benefits regardless of fault for work-related injuries.
- Employers share collective liability for the costs of work-related injuries and, in return, employees waive the right to sue.
- Injured workers are entitled to prompt payment of benefits, and future payments are guaranteed.
- The workers' compensation agency has exclusive jurisdiction over all legal matters arising out of the enabling legislation.
- The agency is financially independent of the government and enjoys full autonomy over all administrative and adjudicative matters.

Net assets:

The excess of total assets less total liabilities, another expression of ***Funded Position*** in dollar terms. When total liabilities exceed total assets, the deficit is known as unfunded liability.

Real discount rate:

The rate used to discount the actuarial projections of all future claim benefit payments back to present value. The rate is based on the real rate of return that the investment portfolio is expected to generate over the long term. The real discount rate is also called the net discount rate or the ***actuarial required real rate of return*** when applied in a portfolio context.

Real rate of return:

The annual percentage return realized on an investment, adjusted for changes in prices due to inflation or deflation.

Return:

The return consists of interest and dividend income and the capital gains or losses associated with an investment. The return is usually quoted as a percentage of the investment's market value (market return) or its book value (book return). Performance of an investment or a pool of investments is the actual rate of return over a given evaluation period.

Risk:

In general, risk is the possibility or chance that a future event or outcome will be different than expected, either positively or negatively. See also ***financial risk***.

2008 Year at a Glance

	2008	2007
Number of workers covered	1,830,749	1,744,522
Time-lost claim rate (per 100 workers)[1]	1.8	2.1
Disabling-injury rate (per 100 workers)[1]	3.4	3.6
Number of new claims reported	167,896	175,297
Number of time-lost claims[1]	32,800	35,900
Number of recurrent claims[2]	16,352	14,182
New non-economic loss and permanent disability awards	2,852	2,835
Fatality claims accepted	166	154
Ineligible time-lost claims (percentage of all time-lost claims)	7.4%	6.8%
Number of new requests for review to the DRDRB	2,620	2,442
Return-to-work percentage	92.7%	91.6%
Claim costs (thousands)	$971,635	$855,264
Registered employers	140,184	135,185
Premium revenue (thousands)	$993,767	$977,725
Average collected premium rate (per $100 of insurable earnings)	$1.33	$1.46
Investment revenue (thousands)	$(421,333)	$567,975
Funded position (thousands)	$590,330	$1,673,269
Funded ratio (per cent funded)	111.7%	133.0%

[1] *Time-lost claims and the time-lost claim and disabling-injury rates are projected. This approach is taken to ensure claims for accidents occurring in 2008 but not reported by year-end are considered.*

[2] *Previously inactive claims reopened for a number of reasons including payments for medical aid or requests for further compensation benefits.*

WCB Workers' Compensation Board
Alberta

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